BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

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Issue: 03-22

May 30, 2003

- **BC Employment Insurance recipients increased 1.3% in March**
- **BC had the lowest percentage of smokers in 2000/01**
- **Canada's gross domestic product grew 0.6% in the first quarter**

The Economy

- **In March, the number of British Columbians receiving regular employment insurance (EI) benefits grew 1.3% (seasonally adjusted) to 60,730.** Across the country, the number of recipients increased 0.7% to 535,160. Ontario experienced the largest growth in EI recipients (+3.1%). The Northwest Territories and Nunavut (-2.7%), New Brunswick (-0.4%) and Saskatchewan (-0.3%) all saw declines. Canada-wide, the total value of benefits paid out jumped 13.7% from February to March. BC had the smallest growth in value of benefits paid, at 9.7%, while Ontario, at 15.5%, had the largest increase.

  Source: Statistics Canada

- **In the first quarter of 2003, farm cash receipts in BC increased 2.7% compared to the same quarter of last year.** Total crop receipts were up 5.9%. Receipts from sales of floriculture and nursery products, which accounted for about half of all crop receipts in the first quarter, rose 1.3%. Apple producers earned substantially more in the first quarter, with receipts up 41.4%. Receipts for vegetables were also higher (+1.0%).

  Total livestock receipts edged up 1.1% in the first quarter from the same quarter of last year as increased revenues from sales of poultry (+4.8%) and dairy products (+2.3%) offset a 3.5% decline in cattle receipts. With the discovery of a case of bovine spongiform encephalopathy (more commonly known as "mad cow disease") in Alberta and the subsequent American ban on Canadian beef, it is likely that cattle receipts in the second quarter will show a significant decline.

  Canada-wide, farm cash receipts were up 2.3%; however, the growth was due to record payments through crop insurance programs, resulting from two consecutive years of drought in the Prairies. Crop receipts were down 10.3% from the first quarter of 2002 and livestock revenue dropped 2.5%. Manitoba experienced strong growth in farm cash receipts of 7.0% based on improved revenue from both livestock and crops, but the growth in Alberta (+4.8%) and Saskatchewan (+3.7%) was based solely on program payments, as crop and livestock receipts fell dramatically.

  Source: Statistics Canada

Tourism

- **Foreigners spent $585 million less in Canada than Canadians spent abroad in the first quarter of 2003.** This travel deficit was more than double the $277 million deficit that was recorded in the first quarter of 2002. The combination of the SARS outbreak, the war in Iraq and the threat of terrorism all contributed to the increasing deficit. With the appreciating Canadian dollar and the exacerbation of SARS in Ontario, it is likely the deficit will continue to grow in the second quarter.

  Source: Statistics Canada

Smoking

- **BC had the lowest percentage of smokers in the country in 2000/01 at 20.5% of residents aged 12 and over, compared to 25.9% for the nation as a whole.** BC also had one of the highest proportions of people who have never smoked at 40.1%, just marginally lower than first-ranked Ontario's 40.2%. The only place in the country where smokers outnumbered non-smokers was in Nunavut, where 56% of those aged 12 and over were smokers.

Report | Rising Log Exports Fuel Controversy

Did you know...
Canadian rookie pitcher Adam Loewen signed a five-year contract with the Baltimore Orioles this week for $US 4.1 million - an average of $820,000 a year. By comparison, according to the 2001 Census, the average Canadian made $Cdn 31,757 in 2000. Mama, *do* let your boys grow up to be baseball players!

Northwest Territories (46%) and Yukon (33%) had the next highest ratios of smokers.

In BC, men were more likely to be smokers, at 22% compared to 19% of women. Regionally, there are proportionately fewer smokers in the southwest portion of the province. The Richmond Health Region had the lowest smoking rate at 14.3%, while the Northern Interior, at 30.3%, had the highest rate.

Source: Statistics Canada

Injuries

- **In 2000/01, 15.0% of British Columbians reported suffering an injury causing limitation of normal activities in the previous 12-month period.** Nationally, only 13.4% reported suffering an injury. People in the West appeared to be more prone to injury, as along with BC, Alberta (17.5%), Saskatchewan (15.8%) and Yukon (14.8%) were all significantly above the Canadian average. Quebec (11.1%) and Nunavut (9.4%) had the smallest percentage of people reporting injuries. Men in BC were far more likely to get injured (17.4%) compared to women (12.6%).

Source: Statistics Canada

The Nation

- **Canada's gross domestic product grew 0.6% (seasonally adjusted at annual rates) in the first quarter, the first time in three quarters that growth was larger than the previous quarter.** A strong advance in domestic demand (+1.0%) contributed to the increase, but growth was constrained somewhat by a growing trade deficit as exports continued to drop (-1.5%) at the same time there was an increase in imports (+0.6%). On the domestic side, consumer spending rose 0.9% despite a 0.3% drop in purchases of durables. Government spending on goods and services (+1.0%) and on fixed capital (+1.3%) both experienced robust growth. Business investment in fixed capital gained 1.2%, driven by a 3.0% increase in residential investment. Spending on non-residential structures slipped 0.2% while investment in machinery and equipment gained 0.6%. Business inventories expanded by $6.6 billion from the fourth quarter 2002 to the first quarter of 2003.

Source: Statistics Canada

- **After a strong showing in January (+0.5%), the economy slowed over the quarter and there was virtually no growth in March (0.0%).** There was a 0.2% gain in the goods sector, where all industries except utilities (-1.6%) expanded. However, growth in the service sector stalled (0.0%) as significant declines in wholesale (-0.5%) and retail trade (-0.8%) and accommodation and food services (-0.9%) cancelled strong growth in health care and social assistance (+0.4%), professional, scientific and technical services (+0.4%) and arts, entertainment and recreation (+2.9%). The finance, insurance and real estate sector was flat in March, continuing a trend of almost no growth over the last several months.

Source: Statistics Canada

- **The industrial product price index slipped 0.1% in April compared to April 2002.** Substantial hikes in the price of petroleum and coal products (+18.0%) were offset by falling prices for lumber and other wood products (-13.4%). The drop in lumber prices is mainly the result of an oversupply of wood caused by lumber companies trying to operate at full capacity. This is in an effort to bring down costs to counteract the duties imposed by the United States on Canadian lumber. The high petroleum prices are in reaction to the war in Iraq, among other global uncertainties. The index excluding petroleum and coal products fell 1.3% year-over-year.

  The raw materials price index climbed 3.4% in April. Prices for animal and animal products (+7.9%), vegetable products (+6.7%) and mineral fuels (+2.5%) were all up, as well as wood prices (+4.6%). The only major category to experience a decline was non-ferrous metals, which dropped 5.5%.

Source: Statistics Canada

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Infoline Report

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Originally published in *Exports*, Issue 03-02. Annual subscription $60 + GST

Rising Log Exports Fuel Controversy

Log exports have stirred up controversy with the Americans arguing that there are not enough and forest sector workers complaining there are too many

One of the key issues in the softwood lumber dispute between Canada and the United States is the restriction on exports of raw logs from Canada, particulary British Columbia. The Americans argue that restricting exports of unprocessed logs in essence amounts to a subsidy to Canadian forest companies since putting logs up for auction could result in a higher price than companies are currently paying through the stumpage system. On the other side of the debate, those working in the forest sector say that there should be a complete ban on log exports. They argue that the timber is a public good that should confer benefits to Canadians and exporting raw logs is tantamount to exporting manufacturing jobs.

Similar to the situation in B.C., the United States prohibits the export of raw logs from publicly owned lands. The main difference between the forest sector in BC and that in the United States is that the large majority of timber in BC is publicly owned, whereas in the US, most of it is privately owned. About 89% of the volume of timber billed in BC is from Crown land.[1]

Exports of raw logs from BC are restricted, but not banned outright

Although there is not an outright ban on raw log exports from BC, there are restrictions on sales outside the province for both privately and publicly owned timber. Currently, in British Columbia, exports of logs from privately owned forests are under federal jurisdiction. Logs can be sold outside BC only after they have been offered for sale within the province and no buyer has been found. For timber harvested from Crown land, other than in exceptional circumstances, exports of logs are prohibited. Section 127 of the Forest Act explicitly states that all timber harvested from Crown land must be either used in BC or manufactured within the province into other goods. However, Section 128 provides for an exemption if the timber is surplus to the requirements of British Columbia's processing facilities, if it cannot be processed economically near the harvesting area and cannot be transported economically to another facility in BC, or if an exemption would prevent waste or improve the utilisation of the wood.

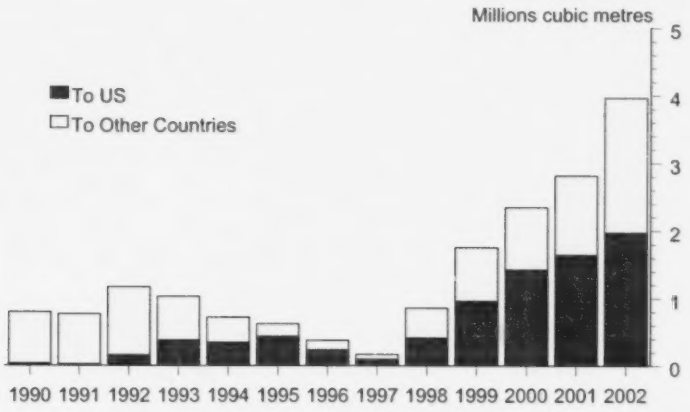
This exemption was used in February 2002 to approve exports of up to 35 percent of the logs harvested in the Kispiox, Kalum and North Coast timber supply areas. The government has defended the exemption, stating that the logs are lower-valued timber from areas where harvesting costs are high. Accordingly, the logs could not be processed eco-

[1] Source: Ministry of Forests annual reports.

nomically within the province and therefore meet the criteria for exemption. By allowing the logs to be exported, at least jobs for loggers are created. Mill workers in the province disagree with this stance and have launched a legal challenge of the export permits.

Exports of raw logs from BC have been rising over the last five years. From 1998 to 2002 the quantity of BC logs shipped out of the country has risen over 360% from 855 thousand to almost four million cubic metres. The value of these exports increased from $128.3 million in 1998 to $515.1 million in 2002. Approximately 50 to 60 percent of these shipments were destined for the United States. Asia, particularly Japan, was the destination for most of the remaining logs.

The quantity of logs exported from BC has risen significantly in the last few years...

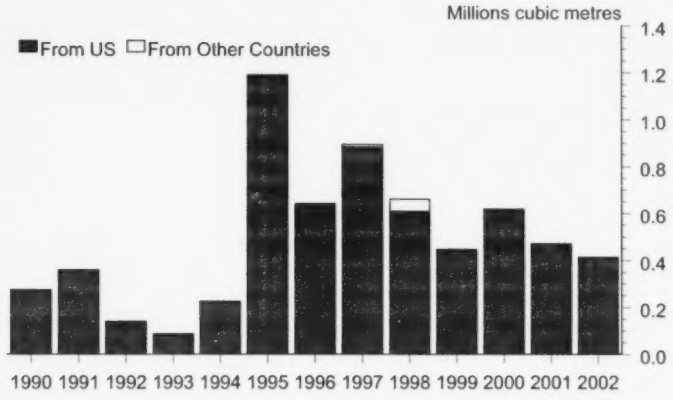


From 1998 to 2002, the volume of logs exported from BC increased by over 360%

There are significant imports of logs into BC as well.[2] In fact, in the mid-nineties there were three consecutive years where BC was a net importer of quantities of logs. Virtually all the log imports were from the United States, and therefore, BC was a net importer from the US in even more years in the last decade. However, after hitting a peak in 1995, imports of raw logs have been consistently falling, which has resulted in a growing deficit in volumes of logs traded.

[2] Note that there is no data available on imports consumed within BC. All import figures refer to shipments of logs cleared through BC customs ports. It is possible that a portion of these exports was shipped to another province after entering BC, but it is likely that the majority was consumed within the province.

...while imports of logs entering Canada through BC have been falling



Imports of logs entering Canada through BC have been falling since hitting a peak in 1995

It is somewhat misleading to look only at the total volume of logs exported and imported, since logs can be of substantially varying qualities. Based on a simple comparison of implicit prices (i.e., dividing value by volume), it is clear that the quality of logs exported from the province is significantly greater than that of the logs imported into BC. Over the last decade the implicit value of logs exported from BC has been approximately double that of logs imported through the province. In 2002, for example, the value of exports was approximately $130 per cubic metre (or $115 for exports to the US only) compared to $61 for imports. This is due to the fact that exports from the province are composed of a greater portion of quality saw logs, while imports are primarily logs used for pulping.

The quality of logs exported from the province is significantly greater than that of logs entering the country through BC customs ports

It is difficult to determine the scope of trade in logs without looking also at the volume of timber harvested within the province. While the portion of logs shipped from BC to other countries has generally been within half a percentage point of one percent of timber scaled in BC, this percentage has been growing in recent years. From just over one percent in 1998, the percentage of timber scaled in BC that was exported grew to over five percent in 2002. According to data from the Ministry of Forests, the portion of logs exported in the fiscal year 2000/2001 (the latest year of data available) that required a permit under Section 128 of the Forest Act was 40%. The remainder was from areas under federal jurisdiction or from First Nations' reserves.

The volume of logs exported as a percentage of timber scaled has risen from just over 1% in 1998 to over 5% in 2002

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BC at a glance . . .

POPULATION (thousands)	Jan 1/03	% change on one year ago
BC	4,155.8	0.8
Canada	31,499.6	0.8
GDP and INCOME		
(BC - at market prices)	2002 Prelim.	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	134,365	2.7
GDP *($ 1997 millions)*	126,141	1.8
GDP *($ 1997 per Capita)*	30,459	0.8
Personal Disposable Income *($ 1997 per Capita)*	19,445	-0.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	2,814	-0.4
Merchandise Exports - Mar	2,617	0.5
Retail Sales - Mar	3,373	-2.9
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Apr '03	% change
BC	120.4	2.6
Canada	121.9	3.1
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Apr '03	prev. month
Labour Force - BC	2,190	0.1
Employed - BC	2,012	-0.4
Unemployed - BC	177	5.5
		Mar '03
Unemployment Rate - BC *(percent)*	8.1	7.7
Unemployment Rate - Canada *(percent)*	7.5	7.3
INTEREST RATES (percent)	May 28/03	May 29/02
Prime Business Rate	5.00	4.00
Conventional Mortgages - 1 year	5.05	5.55
- 5 year	6.15	7.40
US/CANADA EXCHANGE RATE	May 28/03	May 29/02
(avg. noon spot rate) Cdn $	1.3866	1.5346
US $ *(reciprocal of the closing rate)*	0.7218	0.6518
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Apr '03	one year ago
BC	680.37	1.8
Canada	659.75	1.4

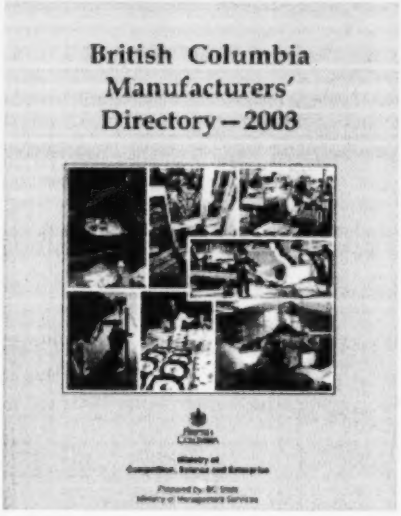
SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

2003 Manufacturers' Directory



600 pages

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